

NEGAUNEE TOWNSHIP
MARQUETTE COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

FOR THE YEAR ENDED MARCH 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name NEGAUNEE TOWNSHIP	County MARQUETTE
Fiscal Year End MARCH 31, 2007	Opinion Date JUNE 27, 2007	Date Audit Report Submitted to State SEPTEMBER, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

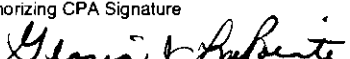
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) COWELL & LAPOINTE, PC		Telephone Number 906-228-5150		
Street Address 101 S. FRONT ST., STE. 301		City MARQUETTE	State MI	Zip 49855
Authorizing CPA Signature 		Printed Name GLORIA J. LAPOINTE		License Number A261885

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TOWNSHIP OF NEGAUNEE, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the Township of Negaunee, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2007. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- Net Assets for the Township as a whole increased by \$61,955 or 5.5% as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that were \$984,291 and revenues of \$860,143.
- The General Fund reported a net fund balance of \$157,862 as of March 31, 2007, an increase of \$5,235 from the April 1, 2006 balance of \$152,627.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds.

TOWNSHIP AS A WHOLE

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These reports help to provide detailed information as to whether the Township, as a whole, is better off or worse off as a result of the year's activities.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes.

TOWNSHIP OF NEGAUNEE, MICHIGAN
Management's Discussion and Analysis – Continued
MARCH 31, 2007

In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date.

Negaunee Township Total Net Assets – Governmental and Business-Type Activities

(In 000's)	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>
Current Assets	\$ 761	\$ 777	\$ 273	\$ 282	\$1,034	\$1,059
Noncurrent Assets	<u>1,472</u>	<u>1,468</u>	<u>2,590</u>	<u>2,671</u>	<u>4,062</u>	<u>4,139</u>
Total Assets	<u>\$2,233</u>	<u>\$2,245</u>	<u>\$2,863</u>	<u>\$2,953</u>	<u>\$5,096</u>	<u>\$5,198</u>
Long-Term Debt Outstanding	\$ 859	\$ 932	\$ 212	\$ 272	\$1,071	\$1,204
Other Liabilities	<u>200</u>	<u>200</u>	<u>61</u>	<u>69</u>	<u>261</u>	<u>269</u>
Total Liabilities	<u>\$1,059</u>	<u>\$1,132</u>	<u>\$ 273</u>	<u>\$ 341</u>	<u>\$1,332</u>	<u>\$1,473</u>
Net Assets Invested in Capital – Net of Related Debt	\$ 568	\$ 492	\$2,212	\$2,228	\$2,780	\$2,720
Restricted for Debt Service			97	88	97	88
Unrestricted	<u>606</u>	<u>621</u>	<u>281</u>	<u>296</u>	<u>887</u>	<u>917</u>
Total Net Assets	<u>\$1,174</u>	<u>\$1,113</u>	<u>\$2,590</u>	<u>\$2,612</u>	<u>\$3,764</u>	<u>\$3,725</u>

Total Net Assets stood at \$3,763,788 as of fiscal year end March 31, 2007, compared to \$3,725,097 one year prior. Unrestricted net assets – the part of net assets that could be used to finance the day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements – stood at \$886,738.

Total Liabilities as of March 31, 2007 stood at \$1,332,531 as compared to \$1,473,307 at fiscal year end 2006. The decrease in liabilities is attributed to the payment of Township Hall bond obligations, payment of installment contracts for the pumper fire truck and the fire hall building addition, with the largest single decrease due to payment for road construction work to the Marquette County Road Commission in the amount of \$103,323.

TOWNSHIP OF NEGAUNEE, MICHIGAN
Management's Discussion and Analysis – Continued
MARCH 31, 2007

The following table shows the changes of the net assets (in thousands of dollars) as of March 31, 2007.

Negaunee Township - Change in Net Assets

(In 000's)	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>
<u>Program Revenues</u>						
Charges for Services	\$ 5	\$ 84	\$367	\$485	\$ 372	\$ 569
Operating Grants and Contributions				26	0	26
Capital Grants and Contributions	19	6			19	6
General Revenue					0	0
Property Taxes	587	533			587	533
Licenses and Permits	5	4			5	4
State-Shared Revenues	207	214			207	214
Interest Earnings	22	15	11	7	33	22
Rentals	11	11			11	11
Miscellaneous	<u>8</u>	<u>30</u>	<u>.</u>	<u>.</u>	<u>8</u>	<u>30</u>
Total Revenues	<u>\$864</u>	<u>\$897</u>	<u>\$378</u>	<u>\$518</u>	<u>\$1,242</u>	<u>\$1,415</u>
<u>Program Expenses</u>						
General Government	420	383			420	383
Public Safety	158	133			158	133
Public Works	111	233			111	233
Community and Economic	43	40			43	40
Recreation and Culture	20	13			20	13
Interest on Long-Term Debt	49	49			49	49
Water			247	224	247	224
Solid Waste Disposal	<u>.</u>	<u>.</u>	<u>155</u>	<u>153</u>	<u>155</u>	<u>153</u>
Total Expenses	<u>801</u>	<u>851</u>	<u>402</u>	<u>377</u>	<u>1,203</u>	<u>1,228</u>
Change in Net Assets	<u>\$ 63</u>	<u>\$ 46</u>	<u>\$ <24></u>	<u>\$141</u>	<u>\$ 39</u>	<u>\$ 187</u>

The Township's net assets continue to remain healthy. With new residents moving into the Township, either through the sale of homes or new construction, it is anticipated revenue from governmental activities and business-type activities will increase in the future. However, with an increase in interest rates and economic downturns including declining home construction and sales, it is felt revenue increases will continue to be moderate when compared to prior years.

TOWNSHIP OF NEGAUNEE, MICHIGAN
Management's Discussion and Analysis – Continued
MARCH 31, 2007

GOVERNMENTAL ACTIVITIES

The net assets for the Township's governmental activities increased by \$38,691 for the year ended March 31, 2007. Total revenues from governmental activities were \$860,143, while total expenses were \$984,291. The difference of \$124,148 was mainly due to excess expenditures in the Road Fund related to various Negaunee Township road construction projects funded through contractual obligations with the Marquette County Road Commission.

BUSINESS-TYPE ACTIVITIES

Negaunee Township's business-type activities consist of the Water Fund and the Solid Waste Fund.

The Township provides water to more than 400 Township residences and businesses. Individuals are charged for the service based on total water consumption. Revenues from water sales, grants and other revenue totaled \$187,275, while expenses incurred were \$235,295, resulting in an operating loss of \$48,020, however, the loss includes depreciation expense of \$103,727.

The Solid Waste Fund provides for the disposal of solid waste. In excess of 1,100 Township residences are billed quarterly for the service, while other Township residents can dispose of waste based on tonnage. Tipping fees and quarterly invoices generated revenues of \$179,861 while expenditures incurred were \$155,014, resulting in operating income of \$24,847.

TOWNSHIP FUNDS

As the Township of Negaunee, Michigan completed the fiscal year as of March 31, 2007, its Governmental Funds (as presented in the balance sheet) reported combined fund balances of \$828,244, a decrease of \$27,810 from April 1, 2006. The General Fund and Fire Fund reported a combined net operating income of \$39,382, while the Community Building Fund, Road Fund, Debt Service Special Assessment and the combined total of all other Nonmajor Governmental Funds reported excess revenues and other financing sources under expenditures of \$67,192.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Township Board amended the General Fund budget to take into account events taking place during the fiscal year. The amendments resulted in a net increase of \$0. However, actual revenues were \$5,235 greater than actual expenditures.

Despite the budget amendment variances to the General Fund budget took place. The main variances were due to decreased state revenue sharing, increased sanitation debt-service principal and interest payments, decreased hospitalization expense and increased health accounts and deductibles.

TOWNSHIP OF NEGAUNEE, MICHIGAN
Management's Discussion and Analysis – Continued
MARCH 31, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION

As of March 31, 2007, the Township of Negaunee, Michigan had \$3,777,150 invested in a variety of capital assets including land, buildings, machinery and equipment (including fire equipment), infrastructure (including water lines) and equity in the Marquette County Solid Waste Management Authority. This is down by \$57,246 from the balance of \$3,834,396 at fiscal year end 2006 and is mainly attributed to depreciation of \$157,131. In addition the Township continues to invest significant funds in roads within the Township. However, these assets are not reported as assets of Negaunee Township, but rather they are the property of the Marquette County Road Commission.

A breakdown of the Capital Assets (in thousands of dollars) is shown below.

Negaunee Township Capital Assets as of 3/31/07 (Net of Depreciation)

(In 000's)	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>
Capital Assets						
Land	\$ 56	\$ 56	\$ 35	\$ 35	\$ 91	\$ 91
Land Improvements	109	43			109	43
Construction in Progress						
- Infrastructure	137	137	2,301	2,383	2,438	2,520
Equity In Marquette County Solid Waste Management Authority	73	61			73	61
Buildings	667	692	80	82	747	774
Machinery and Equipment	<u>256</u>	<u>295</u>	<u>63</u>	<u>50</u>	<u>319</u>	<u>345</u>
Governmental Activities Total Capital Assets (Net of Depreciation)	<u>\$1,298</u>	<u>\$1,284</u>	<u>\$2,479</u>	<u>\$2,550</u>	<u>\$3,777</u>	<u>\$3,834</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Similar to the last several fiscal periods, cuts to Michigan State Revenue Sharing continue to be a concern to Negaunee Township. With decreased funds the Township continues to watch all budgets very closely and take the necessary steps to minimize expenditures whenever possible.

In preparing the 2007-2008 Budget the Township Board reviewed year-to-date data for all funds, along with past budget data. Every attempt has been made to develop realistic fund budgets from both the revenue and expense perspective.

The Water Fund and Solid Waste Fund operate as proprietary funds. In order to prevent net operating losses from occurring, the Board monitors these funds for potential rate increases to offset any perceived budget shortfalls.

TOWNSHIP OF NEGAUNEE, MICHIGAN
Management's Discussion and Analysis – Continued
MARCH 31, 2007

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of Negaunee Township's finances and to show the Township's accountability for the money it receives.

If you have any questions about this report or need additional information, we welcome you to contact the following:

Negaunee Township
35 East M-35
Negaunee, MI 49866
(906) 475-7869
www.NegauneeTownship.org

Board of Trustees
Negaunee Township
Marquette County, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Negaunee Township, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Negaunee Township, as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the District has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2007, on our consideration of Negaunee Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT – Continued

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Negaunee Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cowell & Sabate, PC
Certified Public Accountants
Marquette, Michigan

June 27, 2007

**Board of Trustees
Negaunee Township
Marquette County, Michigan**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Negaunee Township as of and for the year ended March 31, 2007, which collectively comprise Negaunee Township's basic financial statements and have issued our report thereon dated June 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Negaunee Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for expressing an opinion on the effectiveness of Negaunee Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Negaunee Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Negaunee Township's financial statements that is more than inconsequential will not be prevented or detected by Negaunee Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Negaunee Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL - Continued

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Negaunee Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Negaunee Township in a separate letter dated June 27, 2007.

This report is intended for the information of management, others within the organization, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Cornell & DePinto, PC
Certified Public Accountants
Marquette, Michigan

June 27, 2007

NEGAUNEE TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash on hand and in bank	\$ 606,432	\$ 317,672	\$ 924,104
Certificates of deposit	107,972	46,977	154,949
Prepaid expenses		3,750	3,750
Receivables:			
Accounts	1,112	14,053	15,165
Interest	1,188	193	1,381
Special assessments	62,905	110,339	173,244
Taxes	37,642		37,642
Interfund	111,534	(111,534)	
Due from other governmental units	6,664	2,270	8,934
Capital assets - net	<u>1,297,966</u>	<u>2,479,184</u>	<u>3,777,150</u>
 Total assets	 <u>\$ 2,233,415</u>	 <u>\$ 2,862,904</u>	 <u>\$ 5,096,319</u>
Liabilities			
Accounts payable	\$ 35,525	\$ 6,752	\$ 42,277
Security deposits payable	3,017		3,017
Interest payable	16,020	4,530	20,550
Interfund payable	5,758	(5,758)	
Long-term liabilities			
Due within one year-			
Bonds and notes payable	139,416	56,000	195,416
Due in more than one year-			
Compensated absences	5,480	1,889	7,369
Bonds and notes payable	<u>853,902</u>	<u>210,000</u>	<u>1,063,902</u>
 Total liabilities	 <u>1,059,118</u>	 <u>273,413</u>	 <u>1,332,531</u>
Net assets			
Investment in capital assets - net of related debt	568,418	2,211,923	2,780,341
Restricted for:			
Debt service		96,709	96,709
Unrestricted	<u>605,879</u>	<u>280,859</u>	<u>886,738</u>
 Total net assets	 <u>1,174,297</u>	 <u>2,589,491</u>	 <u>3,763,788</u>
 Total liabilities and net assets	 <u>\$ 2,233,415</u>	 <u>\$ 2,862,904</u>	 <u>\$ 5,096,319</u>

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2007

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
General government	\$ 419,516	\$ 5,111	\$ 18,631	\$ (395,774)	\$	\$ (395,774)
Public safety	158,228			(158,228)		(158,228)
Public works	111,187			(111,187)		(111,187)
Community and economic development	43,151			(43,151)		(43,151)
Recreation and culture	19,644			(19,644)		(19,644)
Interest on long-term debt	48,815			(48,815)		(48,815)
Total governmental activities	800,541	5,111	18,631	(776,799)		(776,799)
Business-type activities						
Water	246,536	187,275			(59,261)	(59,261)
Solid waste disposal	155,014	179,861			24,847	24,847
Total business-type activities	401,550	367,136			(34,414)	(34,414)
Total primary government	\$ 1,202,091	\$ 372,247	\$ 18,631	(776,799)	(34,414)	(811,213)
General revenues						
Property taxes				586,513		586,513
Licenses and permits				4,791		4,791
State-shared revenues				206,895		206,895
Interest earnings				22,031	11,150	33,181
Rentals				10,807		10,807
Miscellaneous				7,717		7,717
Total general revenues				838,754	11,150	849,904
Change in net assets				61,955	(23,264)	38,691
Net assets - April 1, 2006				1,112,342	2,612,755	3,725,097
Net assets - March 31, 2007				\$ 1,174,297	\$ 2,589,491	\$ 3,763,788

NEGAUNEE TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
FOR THE YEAR ENDED MARCH 31, 2007

	<u>General</u>	<u>Community Building</u>	<u>Fire</u>	<u>Road</u>	<u>Debt Service Special Assessment</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Assets							
Cash on hand and in bank	\$ 60,727	\$ 254,883	\$ 175,786	\$ 51,689	\$ 38,075	\$ 25,272	\$ 606,432
Certificates of deposit			57,045	50,927			107,972
Receivables:							
Accounts	538						538
Interest			628	560			1,188
Special assessments					62,905		62,905
Taxes	7,247	10,354	14,629	5,412			37,642
Due from other funds	112,332	49	6	25	250	22,634	135,296
Due from other governmental units	6,664						6,664
Total assets	\$ 187,508	\$ 265,286	\$ 248,094	\$ 108,613	\$ 101,230	\$ 47,906	\$ 958,637
Liabilities and fund balances							
Liabilities							
Accounts payable	\$ 6,318	\$ 3,288	\$ 4,919	\$	\$	\$ 21,000	\$ 35,525
Security deposits payable		3,017					3,017
Due to other funds	23,328	17		106	5,191	304	28,946
Deferred revenue					62,905		62,905
Total liabilities	29,646	6,322	4,919	106	68,096	21,304	130,393
Fund balances							
Reserved for							
Capital projects						22,634	22,634
Debt service					33,134		33,134
Other purposes	6,000	258,964	243,175	108,507		3,968	620,614
Unreserved	151,862						151,862
Total fund balances	157,862	258,964	243,175	108,507	33,134	26,602	828,244
Total liabilities and fund balances	\$ 187,508	\$ 265,286	\$ 248,094	\$ 108,613	\$ 101,230	\$ 47,906	\$ 958,637

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
GOVERNMENTAL NET ASSETS**

March 31, 2007

Total Governmental Fund Balances		\$ 828,244
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 1,862,302	
Accumulated depreciation is	<u>(564,336)</u>	1,297,966
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures		62,905
Interest payable used in governmental activities are not payable from current resources and therefore, are not reported in the governmental funds		(16,020)
Long term liabilities that are not due and payable in the current period and are not reported in the funds:		
Bonds and notes payable		(993,318)
Compensated absences		<u>(5,480)</u>
Net Assets of Governmental Activities		<u>\$ 1,174,297</u>

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

GOVERNMENTAL FUNDS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007**

	General	Community Building	Fire	Road	Debt Service Special Assessment	Nonmajor Governmental	Total Governmental
Revenues							
Taxes and penalties	\$ 136,924	\$ 151,062	\$ 197,514	\$ 79,001	\$	\$ 22,012	\$ 586,513
Licenses and permits	4,791						4,791
State grants	206,412					483	206,895
Charges for services	5,111						5,111
Interest and rentals	7,347	16,110	3,191	4,593	1,597		32,838
Other revenue	1,287	2,548	3,841	41	16,278		23,995
Total revenues	361,872	169,720	204,546	83,635	17,875	22,495	880,143
Expenditures							
Current							
General government	192,705	106,319					299,024
Public safety	473		118,367			478	119,318
Public works	12,441			98,746			111,187
Community & economic development	30,480					290	30,770
Recreation and culture		11,448					11,448
Other	76,178	32,526	3,662		260		112,626
Capital outlay		31,429				37,000	68,429
Debt service	44,360		48,370	114,421	24,338		231,489
Total expenditures	356,637	181,722	170,399	213,167	24,598	37,768	984,291
Excess of revenues over (under) expenditures	5,235	(12,002)	34,147	(129,532)	(6,723)	(15,273)	(124,148)
Other financing sources-							
Note proceeds				96,338			96,338
Excess of revenues and other financing sources over (under) expenditures	5,235	(12,002)	34,147	(33,194)	(6,723)	(15,273)	(27,810)
Fund balance - April 1, 2006	152,627	270,966	209,028	141,701	39,857	41,875	856,054
Fund balance - March 31, 2007	\$ 157,862	\$ 258,964	\$ 243,175	\$ 108,507	\$ 33,134	\$ 26,602	\$ 828,244

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007**

Net Change in Fund Balances - Total Governmental Funds **\$ (27,810)**

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures; in the
statement of activities, these costs are allocated over their
estimated useful lives as depreciation

Depreciation expense	\$ (66,591)	
Capital outlay	<u>68,429</u>	1,838

Payments on note principal increases equity in fixed assets and reduces debt; this is reported in the governmental funds as service only	11,956
--	--------

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	2,062
---	-------

Payments of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	180,612
--	---------

Bond principal payment absorbed by Marquette County Solid Waste Management Authority included in the statement of activities	6,675
---	-------

Special assessments are included in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(16,278)
---	----------

The issuance of debt provides current financial resources to governmental funds	(96,338)
--	----------

Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds	<u>(762)</u>
---	--------------

Change in Net Assets of Governmental Activities	<u>\$ 61,955</u>
--	-------------------------

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

March 31, 2007

	<u>Water Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
Assets			
Current assets			
Cash on hand and in bank	\$ 240,534	\$ 77,138	\$ 317,672
Certificates of deposit	46,977		46,977
Prepaid expenses	2,500	1,250	3,750
Accounts receivable	9,345	4,708	14,053
Interest receivable	193		193
Special assessments receivable	13,374		13,374
Due from other governmental units	155	2,115	2,270
Interfund receivables	687	5,071	5,758
	<u>313,765</u>	<u>90,282</u>	<u>404,047</u>
Total current assets			
Noncurrent assets			
Special assessments receivable	96,965		96,965
Capital assets, net of accumulated depreciation	2,479,184		2,479,184
	<u>2,576,149</u>		<u>2,576,149</u>
Total noncurrent assets			
Total assets	<u>\$ 2,889,914</u>	<u>\$ 90,282</u>	<u>\$ 2,980,196</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 1,834	\$ 4,918	\$ 6,752
Interest payable	4,530		4,530
Interfund payables	111,534		111,534
Current portion of noncurrent liabilities	56,000		56,000
	<u>173,898</u>	<u>4,918</u>	<u>178,816</u>
Total current liabilities			
Noncurrent liabilities			
Compensated absences	1,260	629	1,889
Bonds payable	210,000		210,000
	<u>211,260</u>	<u>629</u>	<u>211,889</u>
Total noncurrent liabilities			
Total liabilities	<u>385,158</u>	<u>5,547</u>	<u>390,705</u>
Net assets			
Invested in capital assets--net of related debt	2,211,923		2,211,923
Restricted	96,709		96,709
Unrestricted	196,124	84,735	280,859
	<u>2,504,756</u>	<u>84,735</u>	<u>2,589,491</u>
Total net assets			
Total liabilities and net assets	<u>\$ 2,889,914</u>	<u>\$ 90,282</u>	<u>\$ 2,980,196</u>

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Water Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
Operating revenues			
Water sales	\$ 146,344	\$	\$ 146,344
Garbage disposal services		166,757	166,757
Installation and other miscellaneous charges	40,931	13,104	54,035
	<hr/>	<hr/>	<hr/>
Total operating revenues	187,275	179,861	367,136
Operating expenses			
Personal services	46,738	15,625	62,363
Professional and contractual services	33,189	122,126	155,315
Office supplies and postage	3,461	5,160	8,621
Insurance	4,748	68	4,816
Audit	2,175	290	2,465
Communications	3,479		3,479
Transportation	2,276	247	2,523
Payroll taxes	3,889	1,149	5,038
Employee benefits	15,759	10,259	26,018
Repairs and maintenance	6,074		6,074
Utilities	8,606		8,606
Miscellaneous expenses	1,174	90	1,264
Depreciation	103,727		103,727
	<hr/>	<hr/>	<hr/>
Total operating expenses	235,295	155,014	390,309
Operating income (loss)	(48,020)	24,847	(23,173)
Nonoperating revenues (expenses)			
Interest income	11,146	4	11,150
Interest expense	(11,241)		(11,241)
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	(95)	4	(91)
Change in net assets	(48,115)	24,851	(23,264)
Total net assets - April 1, 2006	<hr/>	<hr/>	<hr/>
	2,552,871	59,884	2,612,755
Total net assets - March 31, 2007	<hr/>	<hr/>	<hr/>
	\$ 2,504,756	\$ 84,735	\$ 2,589,491

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Water Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
Cash flows from operating activities			
Cash charges for services	\$ 188,548	\$ 168,075	\$ 356,623
Cash payments to employees for services	(46,468)	(15,544)	(62,012)
Cash payments to suppliers for goods and services	(86,991)	(145,650)	(232,641)
Net cash provided (used) by operating activities	55,089	6,881	61,970
Cash flows from capital and related financing activities			
Payments on bonds	(53,000)		(53,000)
Purchase of fixed assets	(19,500)		(19,500)
Interest paid on bonds	(9,238)		(9,238)
Net cash provided (used) by capital and related financing activities	(81,738)		(81,738)
Cash flows from investing activities			
Interest income received	12,451	4	12,455
Net cash provided (used) by investing activities	12,451	4	2,132
Net increase (decrease) in cash	(14,198)	6,885	(17,636)
Cash - April 1, 2006	254,732	70,253	324,985
Cash - March 31, 2007	<u>\$ 240,534</u>	<u>\$ 77,138</u>	<u>\$ 317,672</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (48,020)	\$ 24,847	\$ (23,173)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	103,727		103,727
Fully depreciated asset traded	(13,187)		(13,187)
Changes in assets and liabilities:			
(Increase) in certificates of deposit	(3,542)		(3,542)
(Increase) decrease in prepaid expenses	(2,500)	(1,250)	(3,750)
(Increase) decrease in accounts receivable	1,273	657	1,930
Decrease in special assessments receivable	10,031		10,031
(Increase) decrease in due from other governmental units	(155)	(573)	(728)
(Increase) in interfund receivables	(316)		(316)
Increase (decrease) in accounts payable	233	(4,806)	(4,573)
Increase (decrease) in interfund payables	7,275		7,275
Increase (decrease) in compensated absences	270	81	351
(Decrease) in performance bond		(12,075)	(12,075)
Net cash provided (used) by operating activities	<u>\$ 55,089</u>	<u>\$ 6,881</u>	<u>\$ 61,970</u>

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Pension Trust Fund</u>	<u>Property Tax Collection Fund</u>	<u>Trust and Agency Fund</u>
Assets			
Cash and cash equivalents	\$	\$ 370	\$ 1,446
Investments--mutual funds--at fair value	<u>116,055</u>		
Total assets	<u>\$ 116,055</u>	<u>\$ 370</u>	<u>\$ 1,446</u>
Liabilities			
Due to other funds	\$	\$ 370	\$ 204
Due to other governmental units			<u>1,242</u>
Total liabilities		370	1,446
Net assets			
Held in trust for pension benefits	<u>116,055</u>		
Total liabilities and net assets	<u>\$ 116,055</u>	<u>\$ 370</u>	<u>\$ 1,446</u>

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Pension Trust Fund- Defined Benefit</u>	<u>Pension Trust Fund- Defined Contribution</u>
Additions		
Contributions		
Employer	\$ 110,458	\$ 3,734
Plan members	2,241	1,400
	<hr/>	<hr/>
Total contributions	112,699	5,134
Investment earnings	3,357	6,919
	<hr/>	<hr/>
Total additions	116,056	12,053
	<hr/>	<hr/>
Deductions-Withdrawals		124,071
		<hr/>
Change in net assets	116,056	(112,018)
Net assets--April 1, 2006		112,018
	<hr/>	<hr/>
Net assets--March 31, 2007	<u>\$ 116,056</u>	<u>\$</u>

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Negaunee Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Negaunee Township.

Reporting Entity

Negaunee Township is governed by an elected five-member board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Negaunee Township reports the following major governmental funds:

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The Community Building Fund accounts for the support and operation of the community center and Township recreation plan.

The Fire Fund accounts for fire protection by special assessment under Act 33, 1951, as amended.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued **MARCH 31, 2007**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The Road Fund accounts for maintenance and improvement to county roads within Negaunee Township.

The Debt Service Special Assessment Fund accounts for special assessments received and bond payments paid for a road project.

Negaunee Township reports the following major proprietary funds:

The Water Fund accounts for the operating activities of the Township's water utilities services, including the repair and maintenance for its water distribution system.

The Solid Waste Disposal Fund accounts for the operating activities for the Township's solid waste disposal services.

Additionally, the Township reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township's pension plan for eligible employees.

The Trust and Agency Fund accounts for the collection and disbursements of delinquent taxes and deposits due to other units and individuals.

The Property Tax Collection Fund accounts for collection and disbursement of current property tax collections.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The government has elected to also follow subsequent private-sector standards issued after November 30, 1989 for its' business-type activities.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for the government's water usage of fire hydrants. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of the principal balance.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued **MARCH 31, 2007**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity - Continued

Receivables and Payables - Continued

The Township property tax is levied, due, and becomes a lien each December 1st based on property values located in the Township as of the preceding December 31st. The Township collects property taxes through the last day of February in the succeeding year. On March 1 of the subsequent year, delinquent real taxes are returned to Marquette County for collection. Delinquent personal property taxes remain with the Township and are to be collected by the Treasurer.

The rate to finance general government services for the year ended March 31, 2007 was 1.2387 per \$1,000 of taxable valuation of \$86,147,071. Also, an additional 1.7697 per \$1,000 of taxable valuation was levied for community building operations, 2.50 per \$1,000 of real property taxable valuation of \$79,818,471 was levied for fire protection, and .9256 per \$1,000 taxable valuation was levied for roads. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable—current or as tax revenue.

Restricted Assets - The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Prepaid Costs - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity - Continued

Capital Assets – Continued

Buildings, equipment, and infrastructure are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings and other additions	15 - 60 years
Machinery and other equipment	3 - 20 years
Water and sewer system	20 - 75 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees, depending on their years of service, to accumulate 5 to 20 days of unused vacation. Additionally, the Township allows employees to accumulate sick leave of which the employee will be paid one-half of their accrued sick leave for up to 30 days upon retirement. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. Sick pay is accrued for employees eligible to retire that will be paid out when they retire. A liability for these amounts is reported in governmental funds only for employee retirements as of year end.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued **MARCH 31, 2007**

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line items. The legal level on budgetary control adopted by the governing body is the line item level. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by resolution.
4. Any revision that alters the original budget of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original budget.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, Negaunee Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2007

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Excess of Expenditures Over Appropriations in Budgeted Funds - Continued

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
Special Revenue Funds:			
Road	\$123,205	\$213,167	\$<89,962>
Community Building	\$153,000	\$181,722	\$<28,722>
Enterprise Funds:			
Water	\$228,155	\$246,535	\$<18,380>
Debt Service Fund – no budget			

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Negaunee Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchased; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2007

NOTE C - DEPOSITS AND INVESTMENTS - Continued

The investment policy adopted by the board in accordance with Act 20, PA 1943, is in accordance with state statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 714,403	\$ 267,940	\$ 1,816	\$ 984,159
Restricted cash		96,709		96,709
Investments			116,055	116,055
	<u>\$ 714,403</u>	<u>\$ 364,649</u>	<u>\$ 117,871</u>	<u>\$ 1,196,923</u>

The breakdown between cash and investments is as follows:

Checking and savings accounts, Certificates of deposit	\$ 1,080,568
Investments in mutual funds	116,055
Petty cash and cash on hand	300
	<u>\$ 1,196,923</u>

The deposits of Negaunee Township were reflected in the accounts of bank deposits at \$1,123,734 of which \$449,977 was covered by federal depository insurance and \$673,757 was uninsured and uncollateralized. The mutual funds investments are not included in any category of credit risk.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2007

NOTE D - CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 56,312	\$	\$	\$ 56,312
Construction In Progress -Infrastructure	136,521			136,521
Equity in Marquette County Solid Waste Management Authority	<u>61,065</u>	<u>11,956</u>		<u>73,021</u>
Subtotal	<u>253,898</u>	<u>11,956</u>		<u>265,854</u>
Capital Assets Being Depreciated				
Land improvements	43,479	68,429		111,908
Buildings	1,003,021			1,003,021
Machinery and Equipment	<u>481,519</u>			<u>481,519</u>
Subtotal	<u>1,528,019</u>	<u>68,429</u>		<u>1,596,448</u>
Less Accumulated Depreciation for				
Land and land improvements	1,303	1,688		2,991
Buildings	310,716	25,226		335,942
Machinery and Equipment	<u>185,726</u>	<u>39,677</u>		<u>225,403</u>
Subtotal	<u>497,745</u>	<u>66,591</u>		<u>564,336</u>
Net Capital Assets Being Depreciated	<u>1,030,274</u>	<u>1,838</u>		<u>1,032,112</u>
Governmental Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$1,284,172</u>	<u>\$ 13,794</u>	<u>\$</u>	<u>\$1,297,966</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 34,500	\$	\$	\$ 34,500
Infrastructure	<u>369,111</u>	<u>12,928</u>		<u>382,039</u>
Subtotal	<u>403,611</u>	<u>12,928</u>		<u>416,539</u>
Capital Assets Being Depreciated				
Buildings	89,198			89,198
Machinery and Equipment	115,903	19,759	13,187	122,475
Infrastructure	<u>3,257,352</u>			<u>3,257,352</u>
Subtotal	<u>3,462,453</u>	<u>19,759</u>	<u>13,187</u>	<u>3,469,025</u>
Less Accumulated Depreciation for				
Buildings	7,247	2,230		9,477
Machinery and Equipment	65,593	7,360	13,187	59,766
Infrastructure	<u>1,243,000</u>	<u>94,137</u>		<u>1,337,137</u>
Subtotal	<u>1,315,840</u>	<u>103,727</u>	<u>13,187</u>	<u>1,406,380</u>
Net Capital Assets Being Depreciated	<u>2,146,613</u>	<u><83,968></u>		<u>2,062,645</u>
Business-Type Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$2,550,224</u>	<u>\$<71,040></u>	<u>\$</u>	<u>\$2,479,184</u>

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2007

NOTE E - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At March 31, 2007, interfund balances are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$112,208	Brownfield	\$ 304
		Water	111,534
		Tax	<u>370</u>
			112,208
Capital Projects	22,634	General	22,634
Water	687	General	444
		Building	17
		Debt service	120
		Road	<u>106</u>
			687
Debt service	250	General	250
Building	49	Trust & Agency	204
Fire	6		
General	124		
Road	<u>25</u>		
	204		
Sanitation	<u>5,071</u>	Debt service	<u>5,071</u>
Total	<u>\$141,054</u>	Total	<u>\$141,054</u>

NOTE F - LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2007

NOTE F – LONG-TERM DEBT – Continued

Long-term obligation activity can be summarized as follows:

	Balance April 1, 2006	Issued	Retired	Balance March 31, 2007	Due Within One Year
Governmental activities					
General obligation bonds:					
2002 Township hall addition bonds					
Amount of issue - \$450,000					
Maturity through 2028	\$ 420,000	\$	\$ 10,000	\$ 410,000	\$ 10,000
Special Assessment bonds					
2001 Special Assessment					
Amount of issue - \$200,000					
Maturing through 2011	105,000		20,000	85,000	20,000
Marquette County Solid Waste					
Management Authority Bonds					
Amount of issue - \$73,523					
Additional - \$79,898					
Maturing through 2010	56,306		18,631	37,675	7,152
Installment purchase agreements:					
Pumper fire truck lease payable					
Amount of issue - \$200,850					
Maturing through 2012	130,399		19,315	111,084	20,224
2003 fire building note payable					
Amount of issue - \$202,695					
Maturing through 2015	170,787		16,018	154,769	17,110
County contractual obligations:					
Road improvement contracts					
Co. Rd. JA					
Amount of issue - \$204,227					
Additional - \$96,338					
Maturing through 2010	163,382	96,338	64,930	194,790	64,930
Co. Rd. CR, JR & JRB					
Amount of issue - \$115,179					
Maturing through 2007	38,393		38,393		
Total bond obligations	1,084,267	96,338	187,287	993,318	139,416
Other long-term obligations:					
Compensated absences	4,718	5,664	4,902	5,480	
Total governmental activities	\$ 1,088,985	\$ 102,002	\$ 192,189	\$ 998,798	\$ 139,416

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2007

NOTE F- LONG-TERM DEBT - Continued

	<u>Balance April 1, 2006</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance March 31, 2007</u>	<u>Due Within One Year</u>
Business-type activities					
General revenue bonds:					
1989 Water revenue refunding bonds					
Amount of issue - \$550,000					
Maturing through 2010	\$ 180,000	\$	\$40,000	\$ 140,000	\$ 45,000
2002 Water tower improvement bonds					
Amount of issue - \$50,000					
Maturing through 2013	34,000		5,000	29,000	
Special Assessment bonds					
2005 Special Assessment					
Amount of issue - \$105,000					
Maturing through 2016	105,000		8,000	97,000	11,000
Performance bond payable-matured 2007	<u>12,075</u>		<u>12,075</u>		
Total bonds payable	331,075		65,075	266,000	56,000
Other long-term obligations:					
Compensated absences	<u>1,540</u>	<u>4,412</u>	<u>4,063</u>	<u>1,889</u>	
Total business-type activities	<u>\$ 332,615</u>	<u>\$4,412</u>	<u>\$69,138</u>	<u>\$ 267,889</u>	<u>\$ 56,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Less Loan Credit</u>	<u>Total</u>
2008	\$ 139,416	\$ 46,901	\$ 186,317	\$ 56,000	\$ 16,536	\$ 3,975	\$ 68,561
2009	153,055	40,494	193,549	61,000	11,631	2,715	69,916
2010	151,238	32,711	183,949	66,000	7,611	6,522	67,089
2011	72,071	25,699	97,770	17,000	3,174		20,174
2012	58,914	22,445	81,359	17,000	2,443		19,443
2013-2017	138,624	85,167	223,791	49,000	3,556		52,556
2018-2022	105,000	59,048	164,048				
2023-2028	<u>175,000</u>	<u>29,017</u>	<u>204,017</u>				
Total	<u>\$ 993,318</u>	<u>\$341,482</u>	<u>\$ 1,334,800</u>	<u>\$ 266,000</u>	<u>\$44,951</u>	<u>\$ 13,212</u>	<u>\$ 297,739</u>

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued **MARCH 31, 2007**

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers' compensation). The Township maintains insurance coverage through the Michigan Township Participating Plan. This Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three

NOTE H - EMPLOYEE RETIREMENT PLANS

Defined Contribution Plan

Plan Description - The Township had a defined contribution retirement plan covered under Code Sec. 401(k) of the IRS Code through Manufacturers Life Insurance Company that covers all employees at least 18 years of age.

Funding Policy - The contribution due each year was as follows:

- a. Employer contributions are 6% of covered employees compensation.
- b. Employee contributions will be \$780 per plan year.
- c. Any full-time employee not receiving health benefits will receive an employer contribution.
- d. Employees are also entitled to make additional voluntary after tax contributions of up to 10% of annual compensation.
- e. Total annual employer and employee contributions may not exceed 25% of compensation or \$42,000.

The Township's contribution for all funds was \$3,737 and the employees' contribution was \$1,400 for the year ended March 31, 2007.

Manufacturers Life issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to John Hancock Life Insurance Company, P.O. Box 600, Buffalo, NY 14201-0600.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued MARCH 31, 2007

NOTE H - EMPLOYEE RETIREMENT PLANS - Continued

Defined Benefit Plan - Continued

Plan Description – Negaunee Township transferred assets from the defined contribution plan to the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers eligible employees of the Township. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established with the Township and requires a contribution from the employees of seven percent (7%) of gross wages for General employees.

Annual Pension Costs – For the year ended March 31, 2007, Negaunee Township's annual pension cost of \$10,200 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an initial actuarial valuation at January 31, 2006, using the entry age normal cost method. Significant actuarial assumptions used include: (1) an eight percent (8%) investment rate of return; (2) projected salary increases of 4.5 to 12.90 percent per year; and (3) 3 to 4 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is five (5) years.

The first year trend information as of December 31, 2006 follows (three year trend information not available since 2006 is the first year of the plan):

Annual pension cost	\$ 12,441
Percentage of APC contributed	100%
Net pension obligation	\$ 12,441
Actuarial value of assets	\$ 102,512
Actuarial accrued liability	\$ 232,310
Unfunded AAL	\$ 129,798
Funded ratio	44%
Covered payroll	\$ 141,936
UAAL as a percentage of covered payroll	91%

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued MARCH 31, 2007

NOTE I - DEFERRED COMPENSATION PLAN

The Township has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Negaunee Township's financial statements.

NOTE J - JOINT VENTURE

Marquette County Solid Waste Management Authority

During 1988, Negaunee Township joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, and conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two members designated by the Marquette City Commission, three members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued **MARCH 31, 2007**

NOTE J - JOINT VENTURE - Continued

Marquette County Solid Waste Management Authority - Continued

The Township's pro-rata share (based on population) of assets, liabilities, and fund equity is 4.2 percent. Summary financial information as of and for the fiscal year ended June 30, 2006, is as follows:

Total Assets	\$13,505,304
Total Liabilities	2,135,432
Total Net Assets	11,368,872
Total Operating Revenues	2,368,781
Total Operating Expenses	2,625,815
Other Revenue (Expenses)	91,124
Capital Contributions	50,631
Change In Net Assets	(115,279)
Total Joint Venture's Outstanding Long-Term Debt	1,748,847

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

The Township is a guarantor by pledging the full faith and credit of the Township for their allocated portion of bonds issued by the Authority in the amount of \$14,155 outstanding at March 31, 2007 at a variable interest rate for 20 years. The Authority allocates and charges as an operating expense annual fixed costs to each participant, including debt requirements of the Authority's bonds, that are guaranteed by the Township. For the year ending March 31, 2007 interest of \$2,264 is included as sanitation costs in the General Fund.

In addition, bonds were issued to finance the Township's portion of the initial construction costs and site search. Principal and interest of \$8,534 were absorbed by the Authority on these bonds for the year ending March 31, 2007 and the outstanding balance is \$23,520 at March 31, 2007. The Authority has also absorbed the bond payment of \$8,486 for May, 2007. Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

The audited financial statements of the Marquette County Solid Waste Management Authority can be obtained at 600 County Road NP, Marquette, MI 49855.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued **MARCH 31, 2007**

NOTE J - JOINT VENTURE - Continued

Marquette County Solid Waste Management Authority - Continued

The Township has included their equity interest of the Authority in the Net Assets on the Statement of Net Assets.

NOTE K – RELATED PARTY

Negaunee Township uses the services of Moyle Trucking which is owned by a member of the Board of Trustees. The total amount paid for services for the year ending March 31, 2007 was \$8,309.

NOTE L – ROAD CONSTRUCTION AGREEMENTS

Road construction agreements were signed with the Marquette County Road Commission for future road improvements. Construction to install a temporary bridge on Heritage Road is projected to cost \$29,907 and is expected to be completed during 2007. Construction to improve Buffalo Road for an approximate cost of \$281,610 was approved and will be completed by 2008.

NOTE M – RECREATION FIVE-YEAR PLAN

The Board approved the first year of a five-year recreation plan which consists of construction for road and softball field work. The bid was approved for \$83,897 and is expected to be completed during 2007.

REQUIRED SUPPLEMENTAL INFORMATION

NEGAUNEE TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
FIRE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Taxes and penalties				
Current property	\$ 179,159	\$ 179,159	\$ 196,962	\$ (17,803)
Delinquent property	2,700	12,700	145	12,555
Commercial forest	100	400	406	(6)
Penalties and interest	<u>2,000</u>	<u>100</u>	<u>1</u>	<u>99</u>
Total taxes and penalties	183,959	192,359	197,514	(5,155)
Interest income	1,250	3,000	3,191	(191)
Miscellaneous	<u>500</u>	<u>4,000</u>	<u>3,841</u>	<u>159</u>
Total revenues	<u>185,709</u>	<u>199,359</u>	<u>204,546</u>	<u>(5,187)</u>
Expenditures				
Fire wages	35,000	35,000	25,319	9,681
Secretary wages	1,000	800		800
Custodian wages	1,750	1,750	1,518	232
Training	7,500	9,530	1,039	8,491
Office supplies	1,000	1,200	325	875
EMS supplies	6,900	6,900	2,847	4,053
Professional services	600	600		600
Operational supplies	21,452	29,452	35,704	(6,252)
Hydrant	30,000	30,000	30,000	
Membership fees	400	400	399	1
Audit	400	400	365	35
Telephone	500	500	348	152
Communication equipment	1,000	1,000	2,188	(1,188)
Insurance	11,000	11,000	7,407	3,593
Fuel	1,000	1,000	749	251
Mileage	300	2,300	2,778	(478)
Marching/parades	1,200	1,200		1,200
Promotion	1,000	1,000	1,306	(306)
Utilities	6,000	6,000	5,016	984
Maintenance/repairs	3,000	3,000	1,059	1,941
Miscellaneous	100	100		100
Interest	7,500	7,500	6,900	600
Building principal	16,550	16,550	16,018	532
Fire truck principal and interest	25,452	25,452	25,452	
Social security	2,500	2,500	2,047	453
Unemployment	5	25	6	19
Retirement	100	100	68	32
Hospitalization	500	500		500
Medical	2,000	2,000		2,000
Workmen's comp insurance		<u>1,600</u>	<u>1,541</u>	<u>59</u>
Total expenditures	<u>185,709</u>	<u>199,359</u>	<u>170,399</u>	<u>28,960</u>
Excess of revenues (expenditures)	<u>\$</u>	<u>\$</u>	<u>\$ 34,147</u>	<u>\$ (34,147)</u>

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
COMMUNITY BUILDING FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Taxes and penalties				
Current property	\$ 139,750	\$ 139,750	\$ 150,564	\$ (10,814)
Delinquent property	200	200	197	3
Commercial forest			288	(288)
Penalties and interest	5	5	13	(8)
	<u>139,955</u>	<u>139,955</u>	<u>151,062</u>	<u>(11,107)</u>
Total taxes and penalties				
Interest and rentals				
Interest income	3,000	3,000	5,303	(2,303)
Rental income	10,000	10,000	10,807	(807)
	<u>13,000</u>	<u>13,000</u>	<u>16,110</u>	<u>(3,110)</u>
Total interest and rentals				
Other revenue-miscellaneous	45	45	2,548	(2,503)
	<u>153,000</u>	<u>153,000</u>	<u>169,720</u>	<u>(16,720)</u>
Total revenues				
Expenditures				
Building and grounds				
Custodian wages	22,000	22,000	22,239	(239)
Secretarial wages	3,200	3,200	3,203	(3)
Groundskeeping wages	23,000	23,000	23,053	(53)
Grant writer	1,000	1,000	54	946
Operational supplies	6,500	6,500	6,906	(406)
Inspection fees	1,000	1,000	434	566
Building insurance	9,200	9,200	6,484	2,716
Utilities	19,000	19,000	16,619	2,381
Building maintenance	6,500	6,500	8,790	(2,290)
Lawn maintenance	2,000	2,000	2,248	(248)
Truck repair/maintenance	2,000	2,000	3,152	(1,152)
Small equipment repair	1,000	1,000	1,101	(101)
Special projects	200	200	11,671	(11,471)
Parking lot expansion	5,000	5,000		5,000
Audit	500	500	365	135
Capital outlay	9,900	9,900	31,429	(21,529)
	<u>112,000</u>	<u>112,000</u>	<u>137,748</u>	<u>(25,748)</u>
Total building and grounds				

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
COMMUNITY BUILDING FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Expenditures (Continued)				
Recreation and culture				
Recreation wages	\$ 7,500	\$ 7,500	\$ 9,821	\$ (2,321)
Recreation supplies	3,000	3,000	627	2,373
Outside recreational services	1,000	1,000	1,000	
	<u>11,500</u>	<u>11,500</u>	<u>11,448</u>	<u>52</u>
Total recreation and culture				
Other				
Social security tax	4,200	4,200	4,343	(143)
Unemployment	300	300	330	(30)
Retirement	2,500	2,500	3,261	(761)
Hospitalization insurance	20,000	20,000	15,821	4,179
In lieu health insurance	2,500	2,500	284	2,216
Health accounts and deductibles			2,750	(2,750)
Insurance			1,928	(1,928)
Property tax refunds			3,761	(3,761)
Miscellaneous			48	(48)
	<u>29,500</u>	<u>29,500</u>	<u>32,526</u>	<u>(3,026)</u>
Total other				
Total expenditures	<u>153,000</u>	<u>153,000</u>	<u>181,722</u>	<u>(28,722)</u>
Excess of revenues (expenditures)	<u>\$</u>	<u>\$</u>	<u>\$ (12,002)</u>	<u>\$ 12,002</u>

NEGAUNEE TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Taxes and penalties				
Current property	\$ 98,115	\$ 98,115	\$ 105,384	\$ (7,269)
Delinquent property	500	6,500	138	6,362
Commercial forest	1,500	1,500	1,384	116
Penalties and interest	350	350	516	(166)
Administration fee	30,000	30,000	29,502	498
Total taxes and penalties	130,465	136,465	136,924	(459)
Licenses and permits	5,000	5,000	4,791	209
State grants				
State revenue sharing	207,885	207,885	201,557	6,328
State right of way fee	5,270	4,870	4,855	15
Total state grants	213,155	212,755	206,412	6,343
Charges for services				
School tax fee	4,910	4,910	4,968	(58)
Trailer court fees	125	125	143	(18)
Total charges for services	5,035	5,035	5,111	(76)
Interest income tax fund	5,000	5,000	7,347	(2,347)
Other revenue				
Other reimbursements	200	200		200
Over/short	25	25	(35)	60
Miscellaneous income	3,500	4,000	1,322	2,678
Total other revenue	3,725	4,225	1,287	2,938
Total revenues	\$ 362,380	\$ 368,480	\$ 361,872	\$ 6,608

NEGAUNEE TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Expenditures				
GENERAL GOVERNMENT				
Legislative				
Board salaries and wages	\$ 8,400	\$ 8,400	\$ 8,400	\$
Emergency management coordinator		1,100	1,185	(85)
Building/rec committee wages	4,000	4,000	3,540	460
Publishing	1,000	1,950	1,874	76
Miscellaneous	750	750	319	431
Senior citizens	500	500	463	37
Special projects	5,000	2,650	2,571	79
Capital outlay	1,382			
Total legislative	<u>21,032</u>	<u>19,350</u>	<u>18,352</u>	<u>998</u>
Supervisor				
Salary	16,000	16,000	16,000	
Miscellaneous	500	500	1,089	(589)
Total supervisor	<u>16,500</u>	<u>16,500</u>	<u>17,089</u>	<u>(589)</u>
Elections	<u>1,500</u>	<u>4,350</u>	<u>4,278</u>	<u>72</u>
Assessor				
Salary	30,000	26,000	25,400	600
Assistant salary	20,283	20,783	21,307	(524)
Supplies	2,000	4,800	4,702	98
Telephone	1,000	1,300	1,221	79
Postage	1,500	1,500	892	608
Mileage	125	125	31	94
Total assessor	<u>54,908</u>	<u>54,508</u>	<u>53,553</u>	<u>955</u>
Attorney				
Fees	2,000	5,750	2,642	3,108
Court fees	100	100		100
Total attorney	<u>2,100</u>	<u>5,850</u>	<u>2,642</u>	<u>3,208</u>

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Expenditures (Continued)				
GENERAL GOVERNMENT (Continued)				
Clerk				
Salary	\$ 15,000	\$ 15,000	\$ 15,000	\$
Deputy clerk salary	3,120	3,120	1,674	1,446
Mileage	25	25		25
	<u>18,145</u>	<u>18,145</u>	<u>16,674</u>	<u>1,471</u>
Total clerk				
	<u>1,500</u>	<u>1,500</u>	<u>1,290</u>	<u>210</u>
Board of review-wages				
	<u>1,500</u>	<u>1,500</u>	<u>1,290</u>	<u>210</u>
Treasurer				
Salary	15,000	15,000	15,000	
Deputy treasurer salary	15,012	15,012	14,620	392
Supplies	2,000	2,000	1,884	116
Summer tax	200	500	462	38
Winter tax	800	2,400	2,292	108
Telephone	300	300		300
Mileage	300	300	73	227
	<u>33,612</u>	<u>35,512</u>	<u>34,331</u>	<u>1,181</u>
Total treasurer				
	<u>33,612</u>	<u>35,512</u>	<u>34,331</u>	<u>1,181</u>
Building and grounds				
Custodian	5,200	3,000	2,363	637
Groundskeeping	5,200	3,000	2,336	664
Repairs and maintenance		250		250
Agent fee	275	275	250	25
Debt service-principal	10,000	10,000	10,000	
-interest	21,500	20,500	20,140	360
	<u>42,175</u>	<u>37,025</u>	<u>35,089</u>	<u>1,936</u>
Total building and grounds				
	<u>42,175</u>	<u>37,025</u>	<u>35,089</u>	<u>1,936</u>

NEGAUNEE TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION **GENERAL FUND** **BUDGETARY COMPARISON SCHEDULE (Continued)** **FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Expenditures (continued)				
GENERAL GOVERNMENT (Continued)				
Other				
Personnel committee	\$ 300	\$ 650	\$ 630	\$ 20
Dues/subscriptions	3,000	3,000	2,418	582
Audit	5,000	3,550	3,535	15
Service charges	100	100	64	36
Office wages	31,574	23,573	20,721	2,852
Supplies	2,500	4,100	4,228	(128)
Service contract/lease		700	446	254
Telephone	2,500	2,500	1,789	711
Postage	1,500	2,000	2,230	(230)
Mailings	1,200	1,200		1,200
Internet	650	650	595	55
Mileage	50	50	32	18
Miscellaneous	250	7,600		7,600
Computer expense	2,000	3,100	2,859	241
	<u>50,624</u>	<u>52,773</u>	<u>39,547</u>	<u>13,226</u>
Total other				
	<u>50,624</u>	<u>52,773</u>	<u>39,547</u>	<u>13,226</u>
TOTAL GENERAL GOVERNMENT	<u>242,096</u>	<u>245,513</u>	<u>222,845</u>	<u>22,668</u>
PUBLIC SAFETY-Animal control	<u>1,000</u>	<u>1,000</u>	<u>473</u>	<u>527</u>
PUBLIC WORKS				
Sanitation				
Debt service-principal	7,500	7,500	11,956	(4,456)
-interest			2,264	(2,264)
Capital outlay-sewer		1,382		1,382
	<u>7,500</u>	<u>8,882</u>	<u>14,220</u>	<u>(5,338)</u>
Total sanitation				
	<u>7,500</u>	<u>8,882</u>	<u>14,220</u>	<u>(5,338)</u>
Street lighting	<u>13,250</u>	<u>13,000</u>	<u>12,441</u>	<u>559</u>
TOTAL PUBLIC WORKS	<u>20,750</u>	<u>21,882</u>	<u>26,661</u>	<u>(4,779)</u>

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Expenditures (continued)				
COMMUNITY AND ECONOMIC DEVELOPMENT--				
Planning commission				
Wages	\$ 3,000	\$ 3,100	\$ 2,991	\$ 109
Project manager wages	23,920	23,920	24,359	(439)
Attorney	2,000	2,000	1,330	670
Miscellaneous	1,500	1,700	1,800	(100)
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>30,420</u>	<u>30,720</u>	<u>30,480</u>	<u>240</u>
OTHER				
Social security and medicare	12,500	12,500	11,315	1,185
Unemployment	115	365	352	13
Retirement	7,250	8,750	7,970	780
Hospitalization	38,000	37,500	33,124	4,376
In lieu health insurance	2,000	2,000	1,362	638
Health accounts and deductibles	1,250	1,250	13,504	(12,254)
Insurance and bonds	7,000	7,000	4,818	2,182
Property tax refunds			3,733	(3,733)
Total other	<u>68,115</u>	<u>69,365</u>	<u>76,178</u>	<u>(6,813)</u>
Total expenditures	<u>362,381</u>	<u>368,480</u>	<u>356,637</u>	<u>11,843</u>
Excess of revenues (expenditures)	<u>\$ (1)</u>	<u>\$</u>	<u>\$ 5,235</u>	<u>\$ (5,235)</u>

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
ROAD FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Taxes and penalties				
Current property	\$ 81,430	\$ 81,430	\$ 78,741	\$ 2,689
Delinquent property	100	5,100	103	4,997
Commercial forest		160	150	10
Penalties and interest	15	15	7	8
	<u>81,545</u>	<u>86,705</u>	<u>79,001</u>	<u>7,704</u>
Total taxes and penalties				
Interest income	3,000	4,500	4,593	(93)
Miscellaneous income			41	(41)
	<u>84,545</u>	<u>91,205</u>	<u>83,635</u>	<u>7,570</u>
Total revenues				
Expenditures				
Roads			96,338	(96,338)
Road signs	500	500	45	455
Debt service	83,645	122,280	114,421	7,859
Miscellaneous		25	1,998	(1,973)
Professional services	400	400	365	35
	<u>84,545</u>	<u>123,205</u>	<u>213,167</u>	<u>(89,962)</u>
Total expenditures				
Excess of revenues over (under) expenditures		(32,000)	(129,532)	97,532
Other financing sources- note proceeds			96,338	(96,338)
Excess of revenues and other financing sources over (under) expenditures	<u>\$</u>	<u>\$ (32,000)</u>	<u>\$ (33,194)</u>	<u>\$ 1,194</u>

SUPPLEMENTAL INFORMATION

NEGAUNEE TOWNSHIP
SUPPLEMENTAL INFORMATION
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2007

	<u>Special Revenue Funds</u>		<u>Capital</u>	<u>Total</u>
	<u>Liquor</u>	<u>Brownfield</u>	<u>Projects</u>	<u>Non-Major</u>
				<u>Governmental</u>
				<u>Funds</u>
Assets				
Cash on hand and in bank	\$ 254	\$ 25,018	\$	\$ 25,272
Due from other funds			22,634	22,634
Total assets	<u>\$ 254</u>	<u>\$ 25,018</u>	<u>\$ 22,634</u>	<u>\$ 47,906</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$	\$ 21,000	\$	\$ 21,000
Due to other funds		304		304
Total liabilities		21,304		21,304
Fund balances				
Reserved	254	3,714	22,634	26,602
Total liabilities and fund balances	<u>\$ 254</u>	<u>\$ 25,018</u>	<u>\$ 22,634</u>	<u>\$ 47,906</u>

NEGAUNEE TOWNSHIP

**SUPPLEMENTAL INFORMATION
NON-MAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Special Revenue Funds</u>		<u>Capital</u>	<u>Total</u>
	<u>Liquor</u>	<u>Brownfield</u>	<u>Projects</u>	<u>Non-Major</u>
				<u>Governmental</u>
Revenues				Funds
Taxes and penalties	\$	\$ 22,012	\$	\$ 22,012
State grants	483			483
Total revenues	<u>483</u>	<u>22,012</u>		<u>22,495</u>
Expenditures				
Current				
Public safety	478			478
Community/economic development		290		290
Capital outlay		<u>37,000</u>		<u>37,000</u>
Total expenditures	<u>478</u>	<u>37,290</u>		<u>37,768</u>
Excess of revenues over (under) expenditures	5	(15,278)		(15,273)
Fund balance - April 1, 2006	<u>249</u>	<u>18,992</u>	<u>22,634</u>	<u>41,875</u>
Fund balance - March 31, 2007	<u>\$ 254</u>	<u>\$ 3,714</u>	<u>\$ 22,634</u>	<u>\$ 26,602</u>

**Board of Trustees
Negaunee Township
Marquette County, Michigan**

We have audited the financial statements of Negaunee Township, for the year ended March 31, 2007 and have issued our report thereon June 27, 2007. Professional standards require that we provide you with following information related to our audit.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated April 18, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Negaunee Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Negaunee Township are described in Note A to the financial statements.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

LETTER ON ANNUAL REPORT – Continued

Page Two

SIGNIFICANT AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Negaunee Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Our audit adjustments consisted primarily of reclassification entries and year-end journal entries. These entries, individually, and in the aggregate, have a significant effect on the financial reporting process.

DISAGREEMENTS WITH MANAGEMENT

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Negaunee Township's financial statement or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Negaunee Township Board of Trustees management and should not be used for any other purpose.

Very truly yours,

Cowell & LaPorte, PC
Certified Public Accountants

June 27, 2007

COWELL & LaPOINTE, PC
CERTIFIED PUBLIC ACCOUNTANTS
ROBERT K. COWELL, CPA
GLORIA J. LaPOINTE, CPA, CFP

101 SOUTH FRONT STREET
SAVINGS BANK BUILDING, SUITE 309
MARQUETTE, MICHIGAN 49855
906-228-5150

Board of Trustees
Negaunee Township
Marquette County, Michigan

MANAGEMENT LETTER ON ANNUAL REPORT

In connection with the examination of the financial statements of Negaunee Township for the year ended March 31, 2007, we submit the following comments and recommendations:

BANK RECONCILIATIONS

There were various outstanding checks over six months old in your pooled and water checking accounts. These items should be followed up on to determine whether they should be voided and/or reissued. This should be done at least once a year to avoid the accumulation of old, outstanding checks.

CASH RECEIPTS

A review of cash receipts indicated incorrect account number classifications. When the Treasurer issues triplicate cash receipts the accounts and account numbers should be indicated on the receipt. It should follow the current chart of accounts listing which would be available from the Clerk. This will enable the Clerk to classify the receipt properly.

Dog licenses are currently received by the Township in check or cash form and held in an envelope until they are taken to the County in June. You should deposit those in the trust and agency account and take one check to the County in June. This would prevent a possible misappropriation of holding those funds in an envelope.

CASH DISBURSEMENTS

The examination of cash disbursements indicated the lack of supporting documentation (invoices) for several disbursements. Supporting documentation for cash disbursements should be available before the disbursement is made and signatures obtained. This procedure has occurred on various occasions with the fire department.

INTERFUND ACTIVITY

Interfund accounts did not reconcile at March 31, 2007. After examining the activity, five transactions had to be adjusted to bring them into balance. These are reflected in the adjusting journal entries. These accounts should always be in balance with each other for proper internal financial reporting.

There are various interfund accounts that have had large balances for several years. An attempt should be made to either transfer those funds or set up a permanent receivable/liability. Most of the balances were the result of the receipt or disbursement of funds into the incorrect fund. A large interfund between the water and general funds accounts for the part of the Township building set up in the water fund and depreciated as a water asset while the general fund paid for the costs. A suggestion would be to transfer this amount to the general fund or keep the asset in the general fund and charge the water fund a rental fee.

PAYROLL LIABILITIES AND BALANCE SHEET ACCOUNTS

Several employee benefits have amounts deducted from paychecks and are accumulated in payroll liability accounts. The vendor check is then paid through that liability account resulting in a balance that needs to be adjusted. Efforts should be made to reconcile those with the vendor at year end. The HRA/FSA liability account had a large negative balance that had to be allocated to the various funds. This is reflected in the adjusting journal entries.

All balance sheet accounts can be reconciled to outside vendors and/or internal records. All accounts should be reconciled at a minimum at year end before the audit starts for improved internal financial reporting and to help reduce the cost of the audit.

VACATION AND SICK PAY

Several employees work for several departments. Accordingly, their wages are allocated among several funds. The examination of vacation and sick pay accruals indicated they were not allocated in the same manner but mainly to one fund. You may want to allocate the vacation and sick pay in a manner similar to regular wages.

We want to thank Township personnel for their help during the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.

Cowell & LaBonte, PC
Certified Public Accountants

June 27, 2007